Supreme Court, U.S.
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No. _____

In The

Supreme Court of the United States

October Term, 1994

ROBERT L. MENDENHALL AND
CMI CORPORATION,

Petitioners,

v.

ASTEC INDUSTRIES, INC. AND
BARBER-GREENE COMPANY,

Respondents.

Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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64 pp

QUESTION PRESENTED FOR REVIEW

Does a judgment of patent invalidity relieve adjudicated infringers who have had a final judgment entered against them?

LIST OF PARTIES AND RULE 29.1 LIST

Pursuant to Supreme Court Rules 14.1(b) and 29.1, Petitioners Robert L. Mendenhall and CMI Corporation certify that the names of all parties to the proceedings below in the United States District Courts for the Northern District of Illinois and for the Eastern District of Tennessee, Southern Division and in the United States Court of Appeals for the Federal Circuit ("Federal Circuit" or "Court of Appeals") appear in the caption of the case. The corporate petitioner, CMI Corporation, has no parent companies or any subsidiaries which are not wholly owned by it.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Petitioners Robert L. Mendenhall and CMI Corporation, plaintiffs in the District Court in each of the actions and appellants or appellees in the Federal Circuit, respectfully petition this Court to issue a writ of certiorari to the United States Court of Appeals for the Federal Circuit to review the opinion and judgment of that court entered June 8, 1994.

OPINIONS BELOW

The majority and dissenting opinions in the Federal Circuit are reported at 31 U.S.P.Q.2d 1001 and are reproduced at pages A.1 through A.30 of the Appendix to this Petition (hereinafter "Pet. App.").[1]

The memorandum opinion of the United States District Court for the Eastern District of Tennessee in the liability phase of the *Astec* case is published as *Mendenhall v. Astec Industries, Inc.*, 13 U.S.P.Q.2d 1913 (E.D. Tenn. 1988). The non-precedential opinion of the Federal Circuit affirming the judgment in that case appears in full text at 891 F.2d 299, 13 U.S.P.Q.2d 1956 (Fed. Cir. 1989).

The *Barber-Greene* case was tried to a jury, such that no opinion of the District Court has been published.

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[1] Citations to the Joint Appendix in the Federal Circuit will be as follows: "Jt. App. (Fed. Cir.) at ___." Citations to the Supplemental Appendix in the Federal Circuit will be "Jt. App. SA (Fed. Cir.) at ___."

However, the District Court's final order and judgment are pertinent and are reproduced in Pet. App. at pages A.36 through A.39.

JURISDICTION

The Federal Circuit reversed the judgments of the District Courts in favor of Mr. Mendenhall and CMI in an opinion and judgment issued on June 8, 1994. The petition for rehearing was granted only for adding to a footnote, and was otherwise denied by order dated September 14, 1994 (Pet. App. at page A.33 through A.35).

This Court's jurisdiction arises under 28 U.S.C. § 1254.

CONSTITUTIONAL PROVISION AND STATUTES INVOLVED

The Petitioners cite the following statutes as being involved in this Petition: 28 U.S.C. § 1292 and 35 U.S.C. § 282 set out in Pet. App. at pages A.40 through A.45.

STATEMENT OF THE CASE

A. Facts Material To The Consideration Of The Questions Presented

Mr. Mendenhall is a paving contractor. During experiments conducted in the mid-1970's, Mr. Mendenhall developed a machine and a method of making "new" hot

mix asphalt by using reclaimed asphalt pavement ("RAP"). The recycling of RAP to make new asphalt pavement had obvious environmental advantages over dumping the old pavement in a landfill. It also had economic advantages to the paving contractor; at a very low cost, the contractor could acquire the RAP, which contained both asphalt and aggregate, the basic raw materials needed to make new asphalt paving.

However, attempts to use RAP in conventional asphalt plants proved problematic, since the hot flame caused the asphalt in the RAP to overheat. This not only degraded the asphalt, but caused unacceptable smoke and air pollution. Mr. Mendenhall solved these problems when he invented an asphalt plant and a method of using RAP to make asphalt paving which introduced the RAP into the plant in a cooler zone of the process, thus reducing the emissions to acceptable levels.

Mr. Mendenhall was issued two U.S. patents on this method of producing asphalt paving material and a machine to practice this method by the U.S. Patent and Trademark Office ("PTO") in 1979 and 1980. CMI obtained an exclusive license under the Mendenhall patents, and has manufactured and sold asphalt plants covered by the Mendenhall patents for over a decade.

The patents involved in these cases cover the first successful technique for using old asphalt pavement materials in the production of new hot mix asphalt. It has saved taxpayers untold millions of dollars in road building in this country. *Mendenhall v. Astec Industries, Inc.*, 13 U.S.P.Q.2d 1913, 1941 (E.D. Tenn. 1988). The patented technology became the industry standard. *Id.* at 1940.

CMI sued Barber-Greene Company ("Barber-Greene") in the Northern District of Illinois in 1980. The case was stayed from 1982 to 1985, during patent reissue proceedings filed so the Patent and Trademark Office could consider new prior art raised by Barber-Greene. The patents were reissued after a favorable decision by the Patent and Trademark Office Board of Appeals.

Since the time limitation on damages (35 U.S.C. § 286) was near an end, CMI sued the rest of the major companies believed to be using the patented technology in 1986.[2] All of these cases except *Astec*, were stayed by agreement of the parties pending the trial of the *Barber-Greene* case. By then, however, Astec had purchased Barber-Greene and wanted to have the first trial in its hometown of Chattanooga, Tennessee. Therefore Barber-Greene agreed to be bound by the validity decision to be rendered in the *Astec* case in Tennessee in order to delay the trial of its case in Chicago.

In 1988, the *Astec* court held the patents not invalid and infringed by Astec. *Id.* 1956. Shortly afterwards, Barber-Greene argued in the Northern District of Illinois that it should not be bound by the validity holding in *Astec* because it had not been made a final judgment under Rule 54(b). Jt. App. SA (Fed. Cir.) at 8-11. Therefore, at the urging of the Illinois court, Jt. App. SA (Fed. Cir.) at 13-16, CMI moved for a Rule 54(b) final judgment in *Astec*. Final judgment was granted, Jt. App. (Fed. Cir.) at

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[2] These were Astec Industries of Chattanooga, Tennessee; Cedarapids Inc. of Cedar Rapids, Iowa; Bituma Construction Equipment Co. of Marquette, Iowa; and Standard Havens Inc. of Kansas City, Missouri.

2857, and Astec appealed to the Federal Circuit under 28 U.S.C. § 1295(a), Jt. App. (Fed. Cir.) at 2921-22. However, the Federal Circuit took the position that the appeal by Astec was only under 28 U.S.C. Section 1292(c). Pet. App. at page A.33 and A.34

The other cases remained stayed until the Federal Circuit affirmed the *Astec* liability decision in 1989. *Mendenhall v. Astec Industries, Inc.*, 887 F.2d 1094, 13 U.S.P.Q.2d 1956 (Fed. Cir. 1989). The *Astec* damages trial was held in 1990. Meanwhile, an infringement and damages trial in the *Barber-Greene* case resulted in a jury verdict against Barber-Greene.

While the *Astec* damage case was under advisement, the *Cedarapids* case went to trial before a jury in Iowa. In that case, the trial court refused to let the jury consider the *Astec* liability decision and refused to let CMI impeach Cedarapids' most important witness using that decision. *Mendenhall v. Cedarapids, Inc.*, 5 F.3d 1557, 28 U.S.P.Q.2d 1081 (Fed. Cir. 1993). The Iowa jury held the patents invalid.

The *Astec, Barber-Greene* and *Cedarapids* cases were argued the same day to the same panel of the Federal Circuit. The Federal Circuit, in a 2 to 1 decision, affirmed the jury's verdict in *Cedarapids*. Then, after certiorari was denied by this Court, ___ U.S. ___, the Federal Circuit (with the same 2 to 1 split) reversed the *Astec* and *Barber-Greene* damage awards on the basis of collateral estoppel in view of the *Cedarapids* decision.

B. Basis For Federal Jurisdiction In The United States District Courts.

Petitioners' complaints filed in the United States District Court for the Northern District of Illinois (against Barber-Greene) and in the United States District Court for the Eastern District of Tennessee, Southern Division (against Astec) alleged that the respective Defendants had infringed the claims of the Mendenhall Patents owned by Mr. Mendenhall and licensed to CMI. The District Courts had jurisdiction over the subject matter of the actions arising under the federal patent laws under 28 U.S.C. § 1338(a).

SUMMARY OF THE ARGUMENT

The application of collateral estoppel involved in these cases by the Federal Circuit will stifle the enforcement of valid patents widely used in an industry. Each succeeding infringement suit would become an all or nothing gamble for the patent owner, with liability rulings in all prior cases at stake.

Astec had a full and fair opportunity for resolution of the validity issues through trial in the District Court and appeal to the Federal Circuit. Barber-Greene, to obtain a delay of its trial, stipulated to be bound by the validity decision in the *Astec* case.

Applying collateral estoppel against Mr. Mendenhall and CMI on the basis of the *subsequent Cedarapids* decision is directly contrary to the rationale of this Court in

Blonder-Tongue Labs Inc. v. University of Illinois Foundation, 402 U.S. 313 (1971).

ARGUMENT

A. The Federal Circuit's Decision Will Stifle the Enforcement of Patent Rights.

The Federal Circuit's decision is erroneous because it is contrary to the important public interest in favor of enforcing *valid* patents. The rule of collateral estoppel adopted by the Federal Circuit not only forecloses future victories by the patent owner (the result of *Blonder-Tongue*), it also wipes out all prior victories.[3] Under the Federal Circuit's ruling, each succeeding infringement suit would become an all-or-nothing gamble for the patent owner, with the liability rulings in all prior suits at stake.

The chilling effects of the Federal Circuit's decision are well illustrated by the facts of this case. Here, CMI had obtained substantial judgments totalling over $22 million in separate lawsuits against two defendants. The Federal Circuit's decision forces a patent owner like CMI to put those judgments at risk each time it enforces its patents against other infringers.

Even the owner of the strongest patents could find the stakes too high to bring successive enforcement actions against multiple infringers. Where, as here, the

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[3] This will be the result even where, as here, the prior victory was reduced to a *final* judgment and was affirmed on appeal.

patent rights involved have been widely used in an industry, there will often be more than one prospective defendant. The application of collateral estoppel will make a patent owner who has prevailed in a first liability trial and appeal very hesitant to bring a second action, at least until the first case has also proceeded through a damage trial and appeal to final disposition (which in this case took 14 years).[4]

Courts have long recognized that public policy considerations can weigh heavily against the adoption of a rule of law that might well chill legitimate patent enforcement efforts. *Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 86, 876-77, 228 U.S.P.Q. 90, 100-02 (Fed. Cir. 1985). The use of collateral estoppel approved by the Federal Circuit poses just such a threat. Ultimately, such a rule would diminish the value of the right to exclude, and thus undermine the rewards offered by the patent system.

There must be a line – a boundary marking litigation that has gone too far to be affected by a holding of invalidity in another, later case. *Blonder-Tongue* applied collateral estoppel only to later-filed cases. The Federal Circuit has previously extended it also to cases whose appeals are not yet decided. *Dana Corp. v. NOK, Inc.*, 882 F.2d 505, 11 U.S.P.Q.2d 1883 (Fed. Cir. 1989); *Thompson-Hayward Chemical Co. v. Rohm & Haas Co.*, 745 F.2d 27, 223 U.S.P.Q. 690 (Fed. Cir. 1984). But this Court should not sanction the line drawn by the Federal Circuit in the

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[4] This is particularly true now that the patent owner cannot submit to the jury in a second case any probative evidence regarding the first, successful case. *Mendenhall v. Cedarapids, Inc.*, 5 F.3d 1557, 1576, 28 U.S.P.Q.2d 1081, 1097 (Fed. Cir. 1993).

present cases where a final judgment, affirmed on appeal, may be undone by a finding of invalidity in a later case.

A reversal of the Federal Circuit in those cases would make a sound balance of the competing interests at stake in patent litigation. It would guarantee infringers one full and fair chance to challenge patent validity, both at trial and on appeal, thus vindicating society's interest in eliminating invalid patents. But such a rule would also limit infringers to just one such challenge: one trial and one appeal. Thus, this Court should protect the equally important public interest in encouraging patent owners to enforce their valid patents, thereby fostering respect for the law.

Lear, Inc. v. Atkins, 395 U.S. 653 (1969), does not suggest drawing the line elsewhere. To the contrary, *Lear* expresses a federal policy in favor of encouraging prompt and vigorous challenges to patent validity. But the Federal Circuit's decision encourages infringers to engage in dilatory litigation tactics with the hope that some later infringer will be more successful in challenging the patent. Moreover, while *Lear* permits a license holder to challenge the validity of a patent, it does not promise successful license holders a refund of license fees and royalties already made. See *Troxel Mfg. v. Schwinn Bicycle Co.*, 465 F.2d 1253, 175 U.S.P.Q. 65 (6th Cir. 1972); *Precision Shooting Equip. Co. v. Allen*, 646 F.2d 313, 210 U.S.P.Q. 184 (7th Cir. 1981). Unlike *Lear*, the Federal Circuit's decision thus violates the policies expressed in *Lear*.

B. The Principles of Judicial Economy Underlying *Blonder-Tongue* Counsel Against Application of Collateral Estoppel in This Case.

In *Blonder-Tongue*, this Court considered whether a litigant should have a second chance after it had lost an issue in full and fair litigation:

> The broader question is whether it is any longer tenable to afford a litigant more than one full and fair opportunity for judicial resolution of the same issue.

Blonder-Tongue, 402 U.S. at 328, 169 U.S.P.Q. at 519. This Court rejected that notion, reasoning that once a litigant had a full and fair opportunity to litigate an issue, that litigant should be forever bound by the resulting decision.

The Federal Circuit's decision runs counter to *Blonder-Tongue* because it allows defendants like Astec to escape the results of judgments entered against them after full and fair litigation. There is no dispute that Astec had a full and fair opportunity to litigate the validity of the Mendenhall patents. The trial court exhaustively reviewed these patents (13 U.S.P.Q.2d 1913), and its decision was affirmed in a unanimous decision by the Federal Circuit. 887 F.2d 1094, 13 U.S.P.Q.2d 1956. To let Astec now take advantage of a subsequent decision is directly contrary to the rationale of this Court in *Blonder-Tongue*.[5]

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[5] As Judge Mayer observed at page 4 of his dissent (Pet. App. at pages A.29 and A.30), Barber-Greene's claim to collateral estoppel is even weaker. It had agreed to be bound by the validity judgment in Astec and obtained a stay of proceedings in that case on the basis of such a stipulation.

In another context, the Federal Circuit suggested that it would be unfair to hold Astec and Barber-Greene liable for infringement while their competitors take advantage of the invalidity determination in *Cedarapids* (Pet. App. at pages A.9 and A.22). The argument proves too much. If that sense of "fairness" were the test of finality, there would never be finality. But fairness is not the litmus test of finality. Two plaintiffs made the same argument in *Federated Department Stores, Inc. v. Moitie*, 452 U.S. 394 (1981), where it was categorically rejected. They and five others had brought antitrust claims, which the district court dismissed. These two did not appeal. While the appeal of the other five plaintiffs was pending, the Supreme Court announced a new and favorable rule of law, which was applied to benefit the five appellants.

The other two then sought to relitigate their rights by bringing new suits. Remarking (like the Federal Circuit) on the "unfairness" of treating the two differently from the other five, the Ninth Circuit refused to apply *res judicata*. This Court reversed in an 8-1 decision because:

> There is simply "no principle of law or equity which sanctions the rejection by a federal court of the salutary principle of *res judicata*."

So it is here: Astec had every chance to litigate its challenge to these patents and it lost. It insisted that the judgment be a final judgment, Jt. App. SA 3 at 9-12, and it proposed to invoke the Federal Circuit's jurisdiction to hear appeals from final judgments. That judgment, like the judgment finally dismissing the claims in *Federated*, should not be upset on the strength of a later, contrary decision.

In the majority opinion, the Federal Circuit took great care to stress that in their opinion, the previous affirmance of the *Astec* decision on validity was "interlocutory," having been in response to an appeal under 28 U.S.C. § 1292(c), and not a "final" judgment such that *res judicata* would not apply to the issue of patent validity. Pet. App. at A.16 and A.17. This rationale goes against the present trends of other courts and commentaries. 18 Wright, Miller & Cooper, *Federal Practice and Procedure*, § 4434, p. 324; *Zdanok v. Glidden Co.*, 327 F.2d 944, 955 (2nd Cir. 1964), *cert. denied*, 84 S. Ct. 1338, 377 U.S. 934, 12 L.Ed.2d 298.

Even the statutory authority relied upon by the Federal Circuit (28 U.S.C. § 1292(c)) characterizes the District Court decision as "final":

> (c) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction –
>
> (2) of an appeal from a judgment in a civil action for patent infringement which would otherwise be appealable to the United States Court of Appeals for the Federal Circuit and is *final* except for an accounting. (Emphasis supplied).

As pointed out by Judge Mayer in his dissent from the Federal Circuit's panel majority's decision, the primary reason for the application of collateral estoppel in patent cases is economic. In the present cases, there will be absolutely no savings in judicial time by the application of collateral estoppel. The one and only result of the application of collateral estoppel is a windfall to Astec and Barber-Greene. In practical effect, Astec and Barber-

Greene stand in the same posture as parties who have had final money judgments entered against them, but who have not yet satisfied the judgments. Collateral estoppel should not be extended to defendants like Astec and Barber-Greene who have already had one bite at the apple.

Further reasons for reversing the Federal Circuit are set forth in the dissent by Judge Mayer, Pet. App. at pages A.27 through A.30, to which attention is invited.

CONCLUSION

For these reasons, Petitioners respectfully request that the writ of certiorari to the United States Court of Appeals for the Federal Circuit be reversed with instructions to affirm the *Astec* case and consider the appeal of Petitioners in the *Barber-Greene* case.

Respectfully submitted,

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United States Court of Appeals
for the Federal Circuit

91-1109,-1131

ROBERT L. MENDENHALL and
CMI CORPORATION,

Plaintiffs-Appellants,

v.

BARBER-GREENE COMPANY,

Defendant/Cross-Appellant.

91-1317 and 92-1244

ROBERT L. MENDENHALL and
CMI CORPORATION,

Plaintiffs-Appellees,

v.

ASTEC INDUSTRIES, INC.,

Defendant-Appellant.

Richard S. Florsheim, Foley & Lardner, of Milwaukee, Wisconsin, argued for plaintiffs-appellants in Nos. 91-1109, -1131, and plaintiffs-appellees in Nos. 91-1317 and 92-1244. *Jerry J. Dunlap* and *Gary Peterson*, of Dunlap, Codding & Lee, P.C., of Oklahoma City, Oklahoma, were on the briefs for plaintiffs-appellants and plaintiffs-appellees. *George E. Quillin*, Foley & Lardner, of Alexandria, Virginia, represented plaintiffs-appellants and plaintiffs-appellees. *Fred H. Bartlit, Jr.* and *Mark E. Ferguson*, Kirkland & Ellis, of Chicago, Illinois, represented plaintiffs-

appellants and plaintiffs-appellees. *Phillip C. Swain,* Kirkland & Ellis, of Los Angeles, California, represented plaintiffs-appellants and plaintiffs-appellees.

Richard W.. Bethea, Jr., Stophel & Stophel, P.C., of Chattanooga, Tennessee, argued for defendant/cross-appellant in Nos. 91-1109, -1131 and defendant-appellant in Nos. 91-1317 and 92-1244. With him on the brief was *Andrew J. Nilles,* Nilles & Nilles, S.C., of Milwaukee, Wisconsin.

91-1109, -1131, Appealed from: U.S. District Court for the Northern District of Illinois

Judge Will

91-1317 and 92-1244, Appealed from: U.S. District Court for the Eastern District of Tennessee, Southern Division

Judge Hull

United States Court of Appeals
for the Federal Circuit

91-1109,-1131

ROBERT L. MENDENHALL and
CMI CORPORATION,

Plaintiffs-Appellants,

v.

BARBER-GREENE COMPANY,

Defendant/Cross-Appellant.

91-1317 and 92-1244

ROBERT L. MENDENHALL and
CMI CORPORATION,

Plaintiffs-Appellees,

v.

ASTEC INDUSTRIES, INC.,

Defendant-Appellant.

DECIDED: June 8, 1994

NIES,* MAYER and LOURIE, *Circuit Judges*

NIES, *Circuit Judge.*

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* Circuit Judge Helen W. Nies vacated the position of Chief Judge on March 17, 1994.

Appellants, Astec Industries, Inc., and its subsidiary Barber-Greene Company, invoke principles of collateral estoppel as enunciated in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 169 USPQ 513 (1971), as the basis for overturning the judgments against each of them, entered in separate suits for infringement of United States Patents No. Re. 31,904 ('904) and Re. 31,905 ('905), owned by Robert L. Mendenhall and his exclusive licensee CMI Corporation (collectively Mendenhall). The collateral estoppel defense arises from the final judgment of invalidity of the '904 and '905 patents entered in a suit against a third party. See *Mendenhall v. Cedarapids, Inc.*, 5 F.3d 1557, 28 USPQ2d 1081 (Fed. Cir. 1993), *cert. denied*, ___ U.S. ___, 114 S. Ct. 1540 (April 18, 1994). We hold that collateral estoppel applies. Accordingly, the district court judgments holding these defendants liable for infringement of the two Mendenhall patents are reversed. Other issues in these appeals are mooted by this disposition.

I.

BACKGROUND

The '904 and '905 patents in suit have been extensively litigated.[1] Mendenhall sued Barber-Greene in the United States District Court for the Northern District of Illinois and sued Astec in the United States District Court

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[1] Other pending suits include *Mendenhall and CMI Corp. v. Standard Havens, Inc.*, No. 86-710-CIV-W-6 (W.D. Mo. filed June 4, 1986), and *Mendenhall and CMI Corp. v. Bituma Constr. Equip. Co.*, No. C-86-1029 (N.D. Iowa filed June 6, 1986). The subject matter of the patents concerns hot asphalt mixing equipment.

for the Eastern District of Tennessee. Astec counterclaimed for infringement of several patents it owned. During the litigation Astec acquired Barber-Greene, and Barber-Greene acknowledged that, as a subsidiary, it would be bound by the ruling respecting validity of the '904 and '905 patents in the *Astec* litigation and agreed that the issue would not be litigated in its case. Concurrently, Mendenhall began litigation against an unrelated party, Cedarapids, Inc., for infringement of the '904 and '905 patents in the United States District Court for the Northern District of Iowa. The *Astec* suit was the first to proceed to trial, *inter alia,* on the issue of validity of the '904 and '905 patents, damages having been bifurcated. Mendenhall moved for a stay of the *Cedarapids* case until the validity issue was resolved in *Astec.* The *Astec* trial resulted in a judgment in favor of Mendenhall respecting validity issues, and that judgment was affirmed by this court in an interlocutory appeal.[2] The stay of the *Cedarapids* proceedings was then lifted, and that case was tried to a jury on all issues, resulting in a judgment on March 4, 1991, of invalidity of all claims of both patents, except Claim 13 of the '904 which was found not infringed. At the time the *Cedarapids* judgment of invalidity was entered, the *Astec* case was still pending before the Tennessee district court for determination of damages and other issues. Astec promptly moved to vacate the previously entered unfavorable liability judgment on the ground that Mendenhall was collaterally estopped from

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[2] The nonprecedential opinion in *Mendenhall v. Astec Indus., Inc.*, appears at 887 F.2d 1094, 13 USPQ2d 1956 (Fed. Cir. 1989) (*Astec II*), *aff'g* 13 USPQ2d 1913 (E.D. Tenn. 1988).

continuing to assert the patents under *Blonder-Tongue, supra,* and decisions of this court, particularly, *Dana Corp. v. NOK, Inc.*, 882 F.2d 505, 11 USPQ2d 1883 (Fed. Cir. 1989), and *Thompson-Hayward Chemical Co. v. Rohm & Haas Co.*, 745 F.2d 27, 223 USPQ 690 (Fed. Cir. 1984). The trial court denied Astec's motion stating:

> 1. Astec's motion to modify the injunction in this cause is DENIED. [Doc. 356]
>
> 2. Astec's motion for entry of an order vacating the judgment of October 31, 1988 which was affirmed by the Federal Circuit is DENIED. [Doc. 366] This court finds that if the Iowa jury verdict is inconsistent with the judgment affirmed by the Federal Circuit in this cause, that conflict should be resolved by the Federal Circuit when the Iowa verdict goes up on appeal.

Astec filed an interlocutory appeal (No. 91-1317) under 28 U.S.C. § 1291(c)(1), which was stayed on Mendenhall's motion. After consideration of post-trial motions and entry of a final judgment by the *Astec* trial court on all claims and counterclaims, Astec again appealed, asserting error in the district court's ruling on the collateral estoppel issue as well as on various damages issues (No. 92-1244). These two appeals were consolidated. Mendenhall filed no appeal of the adverse judgment on Astec's counterclaims. The judgment was stayed pending appeal.

Meanwhile, Mendenhall appealed the final judgment in favor of the defendant in the *Cedarapids* case to this court, asserting a right to a new trial because the *Cedarapids* trial court allegedly erred in excluding the opinion

of the *Astec* judge as probative evidence in the *Cedarapids* case and in improperly instructing the jury. Mendenhall did not appeal the trial court's denial of its JNOV (now JMOL) motion on any issues. On September 13, 1993, this court rendered its decision affirming the *Cedarapids* judgment holding invalid claims 1-12 of '904 and all claims of '905 for obviousness and public use. In addition, this court ruled on Cedarapids cross-appeal that claim 13 of the '904 patent was also invalid.[3] In making its ruling in the *Cedarapids* appeal, this court took into account the prior validity decision in the *Astec* proceedings. Indeed, the effect to be given the *Astec* opinion of the district court and the decision of this court respecting validity was the major issue in *Cedarapids*. As a result of the *Cedarapids* litigation, all claims of both the '904 and '905 patents have now been finally adjudged invalid.

The *Barber-Greene* trial had been stayed pending the interlocutory appeal of validity issues in *Astec*. Upon affirmance in that appeal, the *Barber-Greene* case proceeded to trial on the issues of infringement, Barber-Greene was held liable and damages and an injunction were awarded. It was not until the *Barber-Greene* case was on appeal that the *Cedarapids* district court entered a final judgment holding all of the claims which Mendenhall had

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[3] See *Cardinal Chem. Co. v. Morton International, Inc.*, ___ U.S. ___, 113 S.Ct. 1967 (1993) (this court instructed to rule on properly raised issue of invalidity despite finding of non-infringement).

asserted against Barber-Greene invalid.[4] The issue of collateral estoppel in *Barber-Greene* has, therefore, been raised for the first time on appeal.

The *Barber-Greene*, *Astec*, and *Cedarapids* appeals were heard on the same day but were not consolidated for disposition. As indicated, the Supreme Court denied review of the *Cedarapids* judgment holding the '904 and '905 claims invalid and the mandate in that case has issued. The *Astec* and *Barber-Greene* appeals are now consolidated for disposition.

II.

A. *Blonder-Tongue* and Its Progeny

In Blonder-Tongue, supra, the Supreme Court ruled that once the claims of a patent are held invalid in a suit involving one alleged infringer, an unrelated party who is sued for infringement of those claims may reap the benefit of the invalidity decision under principles of collateral estoppel. Mutuality of estoppel is no longer required. Thus, the benefits of collateral estoppel (now generally termed issue preclusion) arising from a final judgment of patent invalidity were extended to an alleged infringer other than the defendant who earlier successfully litigated the matter and those in privity therewith.

The final judgment in the *Cedarapids* case held that all claims of Mendenhall's '904 and '905 patents are invalid.

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[4] Mendenhall did not assert, *inter alia*, claim 13 against Barber-Greene.

Astec and Barber-Greene assert that the *Cedarapids* judgment should be given collateral estoppel effect in the infringement suits brought by Mendenhall against each of them. The defense of collateral estoppel clearly would have been available to these defendants had their cases been stayed until the *Cedarapids* case proceeded to its ultimate judgment holding the '904 and '905 patents wholly invalid. Instead, the *Cedarapids* case was stayed while the others proceeded. Thus, the invalidity judgment in *Cedarapids* was entered just prior to entry of final judgment by the trial court in the *Astec* suit and only after appeal to this court in *Barber-Greene*. Mendenhall asserts, in essence, that these cases are too far along for appellants to invoke collateral estoppel. Except for timeliness and variations of that argument, Mendenhall suggests no grounds for averting the application of collateral estoppel to its claims against these appellants. For reasons that follow, we reject Mendenhall's arguments on timeliness and collateral issues and hold that collateral estoppel applies. It would be contrary to the policies expressed in Blonder-Tongue were this court now to enter the judgments Mendenhall seeks in these appeals. For this court to affirm the findings of infringement and the willfulness of conduct against one appellant, increase damages against the other, and uphold injunctions against both, appears anomalous in the extreme in connection with patents this court has just held invalid.

Because its patents are invalid and were determined to be invalid after full and fair litigation,[5] Mendenhall is

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[5] The collateral estoppel arose upon the district court's judgment of invalidity of the '904 and '905 claims in the *Cedarapids* case. That judgment having been affirmed by this court

collaterally estopped from recovering for infringement of those patents in these pending cases.

B. Timeliness

Appellants' position is that under the precedent of this court, the defense of collateral estoppel based on a patent invalidity judgment in another case may be raised at any time during the pendency of proceedings, even for the first time on appeal, citing *Dana Corp. v. NOK, Inc.*, 882 F.2d 505, 11 USPQ2d 1883 (Fed. Cir. 1989), and *Thompson-Hayward Chemical Co. v. Rohm & Haas Co.*, 745 F.2d 27, 223 USPQ 690 (Fed. Cir. 1984), and that the *Cedarapids* judgment creates such an estoppel. Accordingly, the judgments of the district courts holding Astec and Barber-Greene liable should be reversed.

In the earlier of the cited authority, collateral estoppel was raised by the alleged infringer. Thompson-Hayward, based on a holding by this court in a suit against Dawson Chemical Company that Rohm and Haas's patent was unenforceable. *Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556, 1573, 220 USPQ 289, 302 (Fed. Cir. 1983), *rev'g Rohm & Haas Co. v. Dawson Chem. Co.*, 557 F. Supp. 739, 217 USPQ 515 (S.D. Tex. 1983). This court's

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and review having been denied by the Supreme Court, we no longer have the situation of applying collateral estoppel based on a judgment that might be reversed. *See Hart Steel Co. v. Railroad Supply Co.*, 244 U.S. 294, 299 (Court's affirmance of patent invalidity judgment in case decided same day "leaves our decision in this case [giving it preclusive effect] uncomplicated").

judgment in the *Dawson* appeal, which reversed the district court, was rendered during Thompson-Hayward's appeal of a final judgment holding it liable for infringement of the same patent. Like Barber-Greene in this case, Thompson-Hayward had not separately attacked the patent but agreed it would be bound by the judgment in the other case. In upholding the collateral estoppel defense, this court rejected the argument that Thompson-Hayward could not raise the defense because it had *never* challenged the validity of the patent at trial. This court ruled:

> In *Lear, Inc. v. Adkins*, 395 U.S. 653, 162 USPQ 1 (1969) the Supreme Court overturned the doctrine of licensee estoppel. The Court noted "the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain" [citation omitted]. In *Lear*, the public's interest in allowing challenges to invalid patents was determined to prevail over the principles of contract law. . . . [W]e deem this public interest [in candor during patent prosecution] to be paramount over the proprieties of pleading practice.

745 F.2d at 32-33, 223 USPQ at 694. Drawing no distinction between invalidity and unenforceability, the court held that the public interest compelled the conclusion that Thompson-Hayward should be permitted to obtain the benefit of the unenforceability decision of the *Dawson* case even though the defense was raised for the first time on appeal and even though Thompson-Hayward had not challenged the patent at trial. The liability judgment and damages award were vacated.

Similarly, in the *Dana v. NOK* case, *supra*, collateral estoppel was raised for the first time on appeal. The *NOK*

district court had held the Dana patent not invalid and found NOK to be an infringer. In a separate action instituted by Dana against IPC Ltd. Partnership, the same patent was similarly held by the district court to be not invalid and to be infringed. *Dana Corp. v. IPC Ltd. Partnership,* 5 USPQ2d 1535, 1536-38 (E.D. Mich. 1987). During pendency of the *NOK* appeal, this court reversed the *IPC* district court and held that the patent failed to comply with the best mode requirement of 35 U.S.C. § 112. 860 F.2d 415, 420, 8 USPQ2d 1692, 1696-97 (Fed. Cir. 1988), *cert. denied,* 460 U.S. 1067 (1989).

NOK raised the collateral estoppel issue in its appeal, arguing that this court's determination of invalidity of the patent in the *IPC* case required reversal of the judgment in its case as well. This court summarized the opposing position as follows:

> Dana argues that the application of *Blonder-Tongue* should be limited to situations in which invalidity is decided in another case and that determination occurs *before* the trial court's decision in the case in which collateral estoppel is raised.

NOK, 882 F.2d at 507, 11 USPQ2d at 1884 (emphasis added). In rejecting this contention, the court stated:

> [W]e see no reason why estoppel cannot be raised during the pendency of an appeal. . . .
>
> Nothing in *Blonder-Tongue* indicates that timing of the decision giving rise to estoppel is critical or that the plea of that defense cannot thereafter be timely made *at any stage of the affected proceedings.* Thus, we see no reason for

> declining to permit estoppel to be raised in this case.

Id. (emphasis added).

Mendenhall argues that the controlling authority applicable here should be the earlier case of *Jamesbury v. United States*, 217 Ct. Cl. 658, 198 USPQ 455 (1978),[6] in which one of our predecessor courts summarily rejected a collateral estoppel defense based on a district court judgment of invalidity of the patent in suit. In the *Jamesbury* proceedings before the Court of Claims, two trials on liability had been conduced over a 15-year period and the decision had been affirmed at the appellate level of the court when the collateral estoppel defense arose as a result of the district court's decision in *Jamesbury v. Litton Indus. Prods., Inc.*, 442 F. Supp. 266, 270, 196 USPQ 544, 547 (D. Conn. 1977) (claims held invalid because of "overclaiming"). Only damages remained to be tried. Mendenhall concludes from *Jamesbury* that a collateral estoppel defense is untimely and, therefore, precluded after the second defendant's liability has been affirmed by an appellate court.

We disagree that *Jamesbury* states such a rule of law or that the *Thompson-Hayward* and *NOK* decisions conflict with *Jamesbury*. The explication of the Court of Claims for rejecting the collateral estoppel defense in *Jamesbury* is very brief. The court did state, *inter alia*, that the district court decision holding the patent invalid was wrong (217 Ct. Cl. at 659-60, 198 USPQ at 455), a conclusion borne out

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[6] This court has adopted decisions of the United States Court of Claims as precedents. *South Corp. v. United States*, 690 F.2d 1368, 1370-71, 215 USPQ 657, 658 (Fed. Cir. 1982) (*in banc*).

by the Second Circuit's ultimate reversal. *Litton*, 586 F.2d 917, 199 USPQ 641 (2d Cir. 1978), *cert. denied*, 440 U.S. 961 (1979). Before the decision of this court and the Supreme Court's denial of review, reversal of the invalidity decision in *Cedarapids*, as in *Jamesbury*, was a possibility which is the reason for the *Astec* court's denial of the motion to apply estoppel. That possibility no longer exists.[7]

In any event, contrary to Mendenhall's argument, *Jamesbury* lays down no rule which makes the collateral estoppel defenses in these cases too late as a matter of law.[8] Rather, our precedent holds that the defense of collateral estoppel based on a final judgment of patent invalidity in another suit can "be timely made at any stage of the affected proceedings." *Dana Corp. v. NOK*, 882 F.2d at 507, 11 USPQ2d at 1884; *Thompson-Hayward Chemical Co.*, 745 F.2d at 32-33, 223 USPQ at 694 (estoppel given invalidity judgment on appeal even though infringer did not challenge validity at trial). *Cf Hart Steel Co. v. Railroad Supply Co.*, 244 U.S. 294, 298-99 (1917) (patent invalidity decision of Sixth Circuit in favor of manufacturing corporation barred Seventh Circuit from upholding patent in

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[7] See note 5, *supra*.

[8] This conclusion is also supported by precedent from our sister circuits. *See Aetna Casualty & Surety Co. v. General Dynamics Corp.*, 968 F.2d 707, 711 (8th Cir. 1992) ("Collateral estoppel may be raised at any stage of the proceedings, so long as it is raised at the first reasonable opportunity after the rendering of the decision having the preclusive effect."); *Cotton States Mut. Ins. Co. v. Anderson*, 749 F.2d 663, 665 (11th Cir. 1984) (collateral estoppel issue not waived even though not raised at trial level where appellee unable to do so because parties had filed appeal briefs prior to issuance of decision in other case).

separate suit against company in privity and was properly raised on appeal).

We conclude that appellants' defense of collateral estoppel is not untimely. Each appellant raised the issue during pending litigation at virtually the earliest possible date.[9]

C. Effect of Interlocutory *Astec* Liability Judgment

Mendenhall presents a variation of its argument that proceedings here are too far advanced for redetermination of liability by attempting to invoke a novel kind of *res judicata within* a case. Mendenhall argues that collateral estoppel should not apply here because this Court would have to overturn its own prior decision affirming the validity of the '904 and '905 patents in *Astec*. It distinguishes the *Thompson-Hayward* and *NOK* decisions on the ground that collateral estoppel was invoked before a liability finding against the defendant had been upheld on appeal and urges our prior *Astec* judgment respecting liability was final and precludes relitigation of that issue as a matter of law.

First, the issue on appeal technically is not whether this court's prior holding respecting validity in *Astec* should be overturned. The issue in Astec's appeal (which also controls in *Barber-Greene*) is the viability of a collateral estoppel defense which arose subsequently.[10] As

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[9] Indeed, claim 13 was invalidated only after the hearings in these appeals.

[10] As indicated, Barber-Greene agreed it was bound by the ultimate validity decision against its parent in *Astec*.

Thompson-Hayward and *NOK* hold, collateral estoppel, based on the success of a third party, may preclude liability despite the failure of an accused infringer to prove invalidity in its own trial. Further, this court did not rule that the patents were "valid" in its prior *Astec* judgment but rather ruled that Astec failed to establish the merits of its defenses of inequitable conduct and invalidity. Thus, this court did not "overturn" its prior *Astec* rulings respecting validity by the *Cedarapids* judgment of invalidity, and it does not do so here by recognizing the overriding defense of collateral estoppel.

Secondly, the judgment of this court on liability in *Astec* resulted in a remand for further proceedings. It was not the final judgment in the case. To rise to that level, the litigation must be entirely concluded so that Mendenhall's cause of action against Astec was merged into a final judgment. Restatement (Second) of Judgments § 13 (1982). A final judgment is one that "ends the litigation on the merits and leaves nothing for the court to do but execute the judgment." *Catlin* v. *United States*, 324 U.S. 229, 233 (1945). A judgment on an appeal under § 1292(c)(2) allowing interlocutory appeals of liability judgments in patent cases does not end the litigation.[11] *See Johns-Manville* v. *Guardian Indus. Corp.*, 116 FRD 97, 101, 4 USPQ2d 1723, 1725 (E.D. Mich. 1987) (request to

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[11] 28 U.S.C. § 1292(c)(2) provides that this court shall have exclusive jurisdiction

> of an appeal from a judgment in a civil action for patent infringement which would otherwise be appealable to the United States Court of Appeals for the Federal Circuit and is final except for an accounting.

open judgment of liability affirmed by the Federal Circuit *not* reviewed under Rule 60(b) standard; judgment was interlocutory). The purpose of § 1292(c)(2) is to permit district courts to stay and possibly avoid a burdensome determination of damages. *In re Calmar*, 854 F.2d 461, 464, 7 USPQ2d 1713, 1714-15 (Fed. Cir. 1988) (citing H.R. Rep. No. 1890, 69th Cong., 2 Sess. 1 (1927)). This provision for interlocutory appeal does not render a district court decision on fewer than all issues in the case a "final" decision. As the Supreme Court has noted regarding this statute's predecessor:

> Although the interlocutory decision of the Court of Claims on the question of validity and infringement was appealable, *United States* v. *Esnault-Pelterie*, 299 U.S. 201, 303 U.S. 26; 28 U.S.C. § 288(b), as are interlocutory orders of district courts in suits to enjoin infringement, 28 U.S.C. § 227 (a); *Simmons Co.* v. *Grier Bros. Co.*, 258 U.S. 82, 89, the decision was not final until the conclusion of the accounting. *Barnard* v. *Gibson*, 7 How. 649; *Humiston* v. *Stainthorp*, 2 Wall. 106; *Simmons Co.* v. *Grier Bros. Co., supra*, 89. Hence the court did not lack power at any time prior to entry of its final judgment at the close of the accounting to reconsider any portion of its decision and reopen any part of the case.

Marconi Wireless Co. v. *United States*, 320 U.S. 1, 47 (1943).

It follows that a decision by an appellate court on an interlocutory appeal is no more final than the appealed decision itself. In the *Simmons* case, cited and relied upon by the *Marconi* court, the Supreme Court unequivocally rejected that view:

> The decree of July 24, 1914, although following a "final hearing", was not a final decree. It granted to plaintiffs a permanent injunction upon both grounds, but an accounting was necessary to bring the suit to a conclusion upon the merits. *An appeal taken to the Circuit Court of Appeals, whose jurisdiction, under § 129 Judicial Code, extended to the revision of interlocutory decrees granting injunctions, followed by the decision of that court reversing in part and affirming in part, did not result in a decree more final than the one reviewed.*

258 U.S. 82, 89 (1922) (emphasis added).[12]

Similarly, in a case involving an interlocutory judgment of liability that had been appealed and affirmed under the predecessor to § 1292(c)(2), the Supreme Court, citing *Marconi*, suggested that the proceedings could be reopened by the district court despite that judgment to consider allegations of misuse raised *after* appeal. *McCullough* v. *Kammerer Co.*, 331 U.S. 96, 99 (1947).

Every case of which we are aware that has considered the "finality" of a district court liability judgment appealable under § 1292(c)(2) and its predecessors has characterized such judgments as "interlocutory" in the context of the entire case.[13] Indeed, the very caption

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[12] We note that an interlocutory appeal from a permanent injunction, to the extent that it considers questions of validity and infringement (as in *Simmons*), is *identical* in substance to an appeal brought under § 1292(c)(2).

[13] *See Johns-Manville, supra; W.L. Gore & Assocs., Inc.* v. *Carlisle Corp.*, 529 F.2d 614, 617, 189 USPQ 129, 131 (3d Cir. 1976);

under which this section is codified is styled "Interlocutory decisions." The judgment of this court in the prior *Astec* appeal was therefore also interlocutory. The same litigation continued before the trial court after that judgment and is once again before us. Absent a final judgment ending the litigation, the issue of liability is not barred from reconsideration. Thus, the application of collateral estoppel in this case is not precluded by reason of the entry of a final judgment.[14]

Contrary, to Mendenhall's argument, our prior judgment respecting liability merely invokes concepts of law of the case. The law of the case does not involve preclusion after final judgment, but rather it regulates judicial affairs before final judgment. 18 Charles A. Wright, *et al., Federal Practice and Procedure* § 4478 (1981). It is a doctrine resting on the need of judicial economy. A court will not generally revisit an issue once decided in the litigation. "Although courts are often eager to avoid reconsideration of questions once decided in the same proceeding, it is clear that all federal courts retain power to reconsider if they wish." *Id.* Thus Justice Holmes has stated that the law of the case doctrine "merely expresses the practice of courts generally to refuse to reopen what has been decided, not a limit to their power." *Messenger* v. *Anderson,* 225 U.S. 436, 444 (1912). *See also Slotkin* v. *Citizens Cas.*

Stevenson v. *Diebold, Inc.,* 422 F.2d 1228, 1229, n.2, 165 USPQ 10, 11, n.2 (9th Cir.), *cert. denied,* 400 U.S. 832 (1970).

[14] The rule against disturbing a final judgment is not an absolute bar in any event. However, because no final judgment had been entered, no issue is presented here of the possibility of relief from a final judgment under F.R.C.P. 60(b).

Co., 614 F.2d 301, 312 (2d Cir. 1979), *cert. denied*, 449 U.S. 981 (1980) (doctrine "does not constitute a limitation on the court's power"); *Carpa, Inc.* v. *Ward Foods, Inc.*, 567 F.2d 1316, 1320 (5th Cir. 1978), *overruled on other grounds, Copper Liquor Inc.* v. *Adolph Coors Co.*, 701 F.2d 542 (5th Cir. 1983) (doctrine not an "inexorable command" but "an expression of good sense and wise judicial practice."). The court has also noted that "there is a difference between [law of the case] and res judicata; one directs discretion, the other supersedes it and compels judgment." *Southern Ry. Co.* v. *Clift*, 260 U.S. 316, 319 (1922). *See also Arizona* v. *California*, 460 U.S. 605, 618-19 (1983).

The federal courts of appeals have recognized a variety of "special circumstances" under which they would reconsider their previously-determined law of the case. Intervening changes in applicable authority have been cited as a basis for reconsideration. *Dean* v. *Trans World Airlines, Inc.*, 924 F.2d 805, 810 (9th Cir. 1991) (Supreme court decision changed applicable law); *Miles* v. *Kohli & Kalisher Associates, Ltd.*, 917 F.2d 235, 242 (6th Cir. 1990) (state Supreme Court decision changed applicable law in diversity case); *Doe* v. *Arnig*, 728 F.2d 30, 31 (1st Cir. 1984) (decision by the same court of appeals changed applicable law); *Wooster* v. *Handy*, 21 F.2d 51, 53-54 (C.C.S.D.N.Y. 1884) (decree of patent validity reconsidered after Supreme Court decisions relating to the validity of reissued patents). Similarly, courts have reconsidered their law of the case to avoid clear error or to prevent a manifest injustice. *J.E.T.S., Inc.* v. *United States*, 838 F.2d 1196, 1200 (Fed. Cir.), *cert. denied*, 486 U.S. 1957 (1988) (evidence of fraudulent procurement justified contract board's departure from law of the case established in

previous liability appeal); *Evans* v. *City of Chicago*, 873 F.2d 1007, 1014 (7th Cir. 1989), *cert. denied*, 495 U.S. 956 (1990) (record reopened to consider a different equal protection theory); *Wrist-Rocket Mfg. Co., Inc.* v. *Saunders Archery Co.*, 578 F.2d 727, 734, 198 USPQ 257, 262 (8th Cir. 1978) ("In view of our disposition of the case, we believe *Wrist-Rocket I* was in error on this point . . . As a matter of equity to the parties and fairness to the public, neither party should use the trademark words in its corporate or company name.").

In *Central Soya, Inc.* v. *George A. Hormel & Co.*, 723 F.2d 1573, 220 USPQ 490 (Fed. Cir. 1983), this court was asked to reconsider a decision of the Court of Appeals for the Tenth Circuit upholding a district court's judgment of liability, rendered on interlocutory appeal. In accordance with other circuits, we held the law of the case doctrine is a policy not a command even respecting a prior appellate decision in the case, and should be applied

> as a matter of sound judicial practice, under which a court generally adheres to a decision in a prior appeal in the case unless one of three "exceptional circumstances" exists: the evidence on a subsequent trial was substantially different, controlling authority has since made a contrary decision of the law applicable to such issues, or the decision was clearly erroneous and would work a manifest injustice.

723 F.2d at 1580, 220 USPQ at 495 (quoting *Short* v. *United States*, 661 F.2d 150, 154 (Ct. Cl. 1981); *Northern Helex Co.* v. *United States*, 634 F.2d 557, 561 (Ct. Cl. 1980)). *See also Kori Corp.* v. *Wilco Marsh Buggies and Draglines Inc.*, 761 F.2d 649, 657, 225 USPQ 985, 990 (Fed. Cir.), *cert. denied*,

474 U.S. 902 (1985) (reconsideration of Fifth Circuit's decision affirming liability judgment rejected because of absence of "exceptional circumstances").

As indicated, in considering the new collateral estoppel defense, contrary to Mendenhall's argument, we are not in these appeals "revisiting" the merits of our decision respecting the issue of validity of the patents as presented in *Astec*. The issue of validity had to be and was "revisited" in *Cedarapids*. Thus, the policy behind law of the case that a court will not usually "revisit" a decided issue is not present here. But even if we consider appellants' liability as the law of the case, the question presented is whether the invalidity judgment in *Cedarapids*, as affirmed by this court, presents an "exceptional circumstance" warranting departure from the prior rulings that these defendants are liable to Mendenhall. In our view, clearly it is. The *Cedarapids* invalidity judgment, being intervening controlling authority on the relevant issue of law, would qualify as an exceptional circumstance under any articulated test. Further, when the rest of the industry is not impeded by the patents, it seems manifestly *unjust* to rely merely on "judicial economy" as *justification* for holding appellants liable and impairing their ability to compete. Just as in *Lear* v. *Atkins*, the public policy of full and free competition was deemed paramount over contract principles, 395 U.S. 670, and in *Blonder-Tongue* outweighed the mutuality principles of estoppel, 169 USPQ at 526, that same public policy clearly in our view takes precedence over adherence to law of the case, a matter which rests on discretion. Nor does the fact that the parties and the courts have expended time and effort in litigating validity in the *Astec* case avert the

application of collateral estoppel. That is an unexceptional circumstance which is always present where the judgment creating the estoppel arises after a trial on the issue in the first case, and it was not seen as a reason for denial of estoppel in *Dana* v. *NOK*, 882 F.2d at 507, 11 USPQ2d at 1884. It will also always be true that the result in the first case will be favorable to the patentee. Otherwise, the alleged infringer would have no need to invoke collateral estoppel. Similarly, that Astec had a full and fair opportunity to litigate the issue of validity and lost is immaterial to its invoking estoppel on appeal. That was also true in *Dana* v. *NOK, supra*, where after losing a trial, NOK was given the benefit of collateral estoppel which arose from a decision of this court during its appeal. *Cf. Hart Steel Co*, 244 U.S. at 297 (Supreme Court reversed court of appeals denial of preclusive effect of invalidity judgment in another case which arose during appeal of alleged infringer).

In sum, under any of Mendenhall's theories, the interlocutory judgment of this court and the proceedings in *Astec* do not preclude or provide policy reasons for denying collateral estoppel to the *Cedarapids* judgment in these appeals.

D. Scope of Estoppel and Need for Remand

Mendenhall argues that even if the Astec judgment does not bar appellants as a matter of law from raising the defense of collateral estoppel, collateral estoppel may not be invoked respecting the '904 patent because the invalidity ruling on '904 was unnecessary to the Iowa judgment. Mendenhall notes that the Iowa defendant was

found not to infringe the '904 patent and cites our precedent at the time holding that upon finding no infringement the validity issue was moot, *e.g.*, *Morton International, Inc.* v. *Cardinal Chemical Co.*, 959 F.2d 948, 952, 22 USPQ2d 1231, 1235 (Fed. Cir. 1992). Events have overtaken this argument. The *Morton* v. *Cardinal* case was taken by the Supreme Court[15] which disapproved this court's practice of vacating invalidity judgments. Thus, in the *Cedarapids* case, in accordance with the instructions of the Supreme Court, this court ruled on the validity of all claims of the '904 patent and no part of this decision can be deemed unnecessary. We did not address infringement.

The plaintiffs alternatively argued that if collateral estoppel may be raised as a defense as this stage in the proceedings, then we must remand to the trial court for a determination of whether the plaintiffs had a "full and fair opportunity to litigate" the validity of the Mendenhall patents in the United States District Court for the Northern District of Iowa. Under *Blonder-Tongue*, 402 U.S. at 333, the Court recognized this countervailing argument to acceptance of collateral estoppel in a particular case. Whether a patentee has had a full and fair opportunity to litigate may be a difficult decision in some instances, and "no one set of facts, no one collection of words or phrases will provide an automatic formula for proper rulings on estoppel pleas." 402 U.S. at 334. However, as held in *NOK*, 882 F.2d at 508, 11 USPQ2d at 1885, a remand is not always necessary to decide whether the patentee had a "full and fair opportunity to litigate." None is necessary

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[15] *Supra*, note 3.

here. All of the plaintiffs' challenges to the "fullness" or "fairness" of their trial before the Iowa court have been addressed and disposed of in our *Cedarapids* opinion.

Respecting Barber-Greene, Mendenhall argues that it would be unjust and inequitable to permit that defendant to dishonor its commitment to be bound by the validity outcome in the *Astec* case. We, of course, agree, but the commitment (if one was made beyond the legal consequence of its relationship to Astec) was to tie its fate to that of its parent. Barber-Greene is not bound by the *Astec* interlocutory judgment to a greater extent than Astec itself.

Barber-Greene's situation is at least as favorable for estoppel as that of the appellant in *Thomas-Hayward* v. *Rohm & Haas, supra,* who agreed to be bound by the final judgment in a parallel proceeding in which the patent was ultimately held invalid. Our holding that the *Cedarapids* invalidity judgment overrides the interlocutory judgment in *Astec* on principles of collateral estoppel also frees Barber-Greene of liability under the terms of its agreement.

III.

CONCLUSION

Having considered all arguments of Mendenhall, we conclude these appeals must be sustained. Because the Mendenhall patents are invalid, the plaintiffs cannot now enjoin or recover damages from these defendants. The liability judgments together with the awards of damages

and the permanent injunctions awarded as relief for their infringement of the '904 and '905 patents are reversed.

IV.

COSTS

Each party will bear its own costs.

REVERSED

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

91-1109, -1131

ROBERT L. MENDENHALL, and CMI CORPORATION,
Plaintiffs-Appellants,

v.

BARBER-GREENE COMPANY,
Defendant/Cross-Appellant.

91-1317 and 92-1244

ROBERT L. MENDENHALL and CMI CORPORATION,
Plaintiffs-Appellees,

v.

ASTEC INDUSTRIES, INC.,
Defendant-Appellant.

MAYER, *Circuit Judge*, dissenting.

Because I believe the facts in these cases weigh heavily against the application of collateral estoppel, I dissent. Put simply, in Nos. 91-1317 and 92-1244, Astec has had every opportunity to challenge the validity of the patents asserted against it in this litigation. It had a full and fair trial, and validity was further explored in detail on an interlocutory appeal to this court. *Mendenhall v. Astec Indus., Inc.*, 887 F.2d 1094, 13 USPQ2d 1956 (Fed. Cir. 1989) (table). The result was that we affirmed that Astec had failed to meet its burden of proving the patents invalid. Mendenhall has a final judgment that its patents are not invalid as asserted against Astec, and that is the law of this case.

As a "matter of sound judicial practice" a court will adhere to its prior decision and generally refuse to reopen what has been decided unless there are "exceptional circumstances" that compel a departure from this "law of the case." *Central Soya Co. v. George A. Hormel & Co.*, 723 F.2d 1573, 1580, 220 USPQ 490, 495 (Fed. Cir. 1983). This "doctrine insures judicial efficiency and prevents endless litigation. Its elementary logic is matched by elementary fairness – a litigant given one good bite at the apple should not have [a] second." *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 900, 221 USPQ 669, 678 (Fed. Cir. 1984) (citation omitted). Astec has had its bite at the apple.

The only "exceptional circumstance" relied upon by Astec is that it should be entitled to assert collateral estoppel against Mendenhall because of the result of *Mendenhall v. Cedarapids, Inc.*, 5 F.3d 1557, 28 USPQ2d 1081 (Fed. Cir. 1993), holding the patents invalid. Estoppel, however, is not appropriate in all cases where it might be interposed and its use is left to the sound discretion of the court. *Blonder-Tongue Labs., Inc. v. University of Illinois Foundation*, 402 U.S. 313, 333 (1971). " 'Claims of estoppel in patent cases [are] considered on a case by case basis, giving due weight to any factors which would point to an unfair or anomalous result from their allowance.' " *Id.* at 319 (quoting brief of the United States). It should only be applied when a court determines it is "just and equitable to allow the plea of estoppel in the case before it." *Id.* at 334.

As explained by the Supreme Court, the primary reasons for the application of estoppel in patent cases are

economic. The "question is whether it is any longer tenable to afford a litigant more than one full and fair opportunity for judicial resolution of the same issue." *Id.* at 328. The Court determined that the rule of *Triplett v. Lowell,* 297 U.S. 638 (1936), put an excessive financial burden on an alleged infringer if it were to pay the costs of a full defense in a suit brought subsequent to a patent being held invalid. There was also the opportunity for multiple relitigation by a patent holder to harass competitors, force settlements and unfairly attempt to expand its "monopoly." And the costs in terms of judicial resources expended in multiple infringement suits were important in imposing collateral estoppel in a later suit brought by the patent holder for infringement of the same patent previously held invalid.

None of these reasons supporting collateral estoppel are present here, and its use serves no legitimate purpose. This is not a case where a party is defending in a subsequent infringement litigation after a holding of invalidity. Astec itself has already had a full and fair opportunity for resolution of the validity issue. The ruling of invalidity in *Cedarapids* came after the final judgment on the merits of this case. Applying estoppel here would not save anything in the way of judicial resources. Of course, if Mendenhall attempted to bring a future suit, collateral estoppel would be entirely appropriate, but not here. The cows have left the barn, slamming the door now serves no purpose. The invocation of collateral estoppel in favor of Astec is not a "just and equitable" result.

In the Barber-Greene litigation, Nos. 91-1109 and 91-1131, the above considerations counsel against the application of estoppel against Mendenhall as well. Even

more importantly, Barber-Greene waived any right it may have had to challenge validity, by collateral estoppel or otherwise, when it agreed to be bound by the result of the validity phase of the *Astec* litigation. Not only did Barber-Greene tell the district court, in seeking a stay of its case, that it would be bound by the ruling on validity in *Astec*, but it also filed a stipulation that the validity and enforceability of Mendenhall's patents were not at issue in their case and this stipulation was incorporated into the district court's final order and judgment.

The agreement to be bound is clear and enforceable and precludes Barber-Greene from challenging the validity of the patents in this appeal. *See Foster v. Hallco Manufacturing Co.*, 947 F.2d 469, 474, 20 USPQ2d 1241, 1245 (Fed. Cir. 1991) (policies of preserving the finality of judgments and of encouraging settlements support the ruling that a consent judgment of patent validity will be given subsequent preclusive effect). In deferring to the ruling in *Astec* about the validity of the patents, Barber-Greene gained the benefit of the stay in the district court, appropriately granted in the interest of judicial economy and in accordance with the public interest in the orderly and expedient settlement of disputes. Barber-Greene is bound by its stipulation on validity and should not be allowed to escape by raising collateral estoppel at this stage of the game.

United States Court of Appeals
for the Federal Circuit

91-1109, -1131

ROBERT L. MENDENHALL and
CMI CORPORATION,

Plaintiffs-Appellants,

v.

BARBER-GREENE COMPANY,

Defendant/Cross-Appellant.

91-1317, 92-1244

ROBERT L. MENDENHALL and
CMI CORPORATION,

Plaintiffs-Appellees,

v.

ASTEC INDUSTRIES, INC.,

Defendant-Appellant.

Jerry J. Dunlap, Dunlap, Codding & Lee, P.C. of Oklahoma City, Oklahoma, *Richard S. Florsheim* and *George E. Quillin*, Foley & Lardner, of Milwaukee, Wisconsin, Attorneys for plaintiffs-appellees and plaintiffs-appellants, were on the Combined Petition of Robert L. Mendenhall and CMI Corporation, for Rehearing and Suggestion for Rehearing In Banc.

Andrew J. Nilles, Nilles & Nilles, S.C., of Milwaukee, Wisconsin and *Richard W. Bethea, Jr.*, Stophel & Stophel, P.C., of Chattanooga, Tennessee, Attorneys for Astec Industries, Inc. and Barber-Greene Company, were on the

Response to Petition for Rehearing and Suggestion for Rehearing In Banc.

United States Court of Appeals
for the Federal Circuit

91-1109, -1131

ROBERT L. MENDENHALL and
CMI CORPORATION,

Plaintiffs-Appellants,

v.

BARBER-GREENE COMPANY,

Defendant/Cross-Appellant.

91-1317, 92-1244

ROBERT L. MENDENHALL and
CMI CORPORATION,

Plaintiffs-Appellees,

v.

ASTEC INDUSTRIES, INC.,

Defendant-Appellant.

Before NIES, MAYER and LOURIE, *Circuit Judges.*

ORDER ON PETITION FOR REHEARING

The petition for rehearing is granted by the panel members in the majority but only for the purpose of making the following addition to note 11, slip op. p. 12 of its opinion following the text of 28 U.S.C. 1292(c)(2):

> Contrary to Mendenhall's arguments, the *Astec* appeal on December 16, 1988, was taken as of right under the above statute. The subsequent order of the district court entered January 26, 1989, purportedly certifying the case for appeal

under FRCP 54(b) was superfluous, if not void. See *Sears Roebuck & Co. v. Mackey*, 351 U.S. 427, 435 (1936). That order did not provide the basis for this court's jurisdiction over an appeal already properly before us.

FOR THE COURT

9/14/94

/s/ Francis X. Gindhart
Francis X. Gindhart
Clerk

United States Court of Appeals
for the Federal Circuit

ORDER

A suggestion for rehearing in banc having been filed by the APPELLANT, and a response thereto having been invited by the court and filed by the APPELLEE,

UPON CONSIDERATION THEREOF, it is

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

Dated: September 14, 1994

FOR THE COURT,

/s/ Francis X. Gindhart
FRANCIS X. GINDHART
CLERK

cc: RICHARD W. BETHEA, JR.
JERRY J. DUNLAP

MENDENHALL V BARBER-GREENE, 91-1109, -1131
(DCT-80-C-6747)
MENDENHALL V ASTEC IND, 91-1317, 92-1244
(DCT-CIV-1-86-229)

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

ROBERT L. MENDENHALL and CMI CORPORATION,	)	No. 80 C 6747
Plaintiffs,	)	Judge Hubert L. Will
v.	)	
BARBER-GREENE COMPANY,	)	
Defendant.	)	

FINAL ORDER AND JUDGMENT

This Final Order And Judgment modifies the judgment on jury verdict entered in this case on May 23, 1990 and modifies and finalizes the proposed order and judgment docketed on October 9, 1990.

This action was tried to the court and jury. The parties stipulated that the validity and enforceability of plaintiffs' U.S. Patents Nos. Re. 31,904 and 31,905 were not an issue in this case, those issues having been decided in plaintiffs' favor in another action between plaintiffs' and defendant's parent, Astec Industries, Inc., *Robert L. Mendenhall and CMI Corporation v. Astec Industries, Inc.*, No. CIV-1-86-229, United States District Court for the Eastern District of Tennessee. The parties also stipulated that defendant Barber-Greene Company infringed claims 1-18 of plaintiffs' U.S. Patent No. Re. 31,905.

After hearing the evidence and the arguments of counsel, the jury made the following findings:

1. That defendant Barber-Greene Company infringed claim 1 of plaintiffs' U.S. Patent No. Re. 31,904

by each of its 100 sales after August 5, 1980 of a direct-fired, parallel flow drum mixer with center-feed recycle inlet and its 54 sales after August 5, 1980 of a recycle kit for installation on a direct-fired, parallel flow drum mixer.

2. That plaintiff CMI Corporation would have made 35 of defendant's 100 sales of a direct-fired parallel flow drum mixer with center-feed recycle inlet if defendant Barber-Greene had not infringed plaintiffs' U.S. Patents No. Re. 31,904 and Re. 31,905.

3. That plaintiff CMI Corporation's lost profits for the 35 sales it lost to defendant Barber-Greene Company would have been $4,457,066.

Upon consideration of the jury's findings, the parties' stipulations, the evidence presented at trial, and the parties' briefs on the issue of prejudgment interest, the court's findings of fact, conclusions of law and judgment are as follows:

1. Plaintiffs Robert L. Mendenhall and CMI Corporation are the owners of U.S. Patent Nos. Re. 31,904 and Re. 31,905, and have the right to recover all damages for infringement of these patents.

2. That plaintiffs' U.S. Patents Nos. Re. 31,904 and Re. 31,905 are valid and enforceable.

3. That defendant Barber-Greene Company infringed claim 1 of U.S. Patent No. Re. 31,904 and claims 1-18 of U.S. Patent No. Re. 31,905.

4. That plaintiffs Robert L. Mendenhall and CMI Corporation are entitled to judgment against defendant

Barber-Greene Company in the amount of $7,294,596 consisting of jury damages of $4,457,066, judgment for which was entered May 23, 1990, plus prejudgment interest to date of $2,837,530.

5. That defendant Barber-Greene Company's counterclaim for declaratory judgment contesting the ownership, validity, infringement and enforceability of the patents in suit is dismissed.

6. That defendant Barber-Greene Company and its officers, agents, servants, and employees are hereby enjoined from infringing claim 1 of U.S. Patent No. Re. 31,904 and claims 1-18 of U.S. Patent No. Re. 31,905 by their manufacture, use, sale, and installation of Barber-Greene's direct-fired, parallel flow drum mixers with center-feed recycle inlets or recycle kits for installation on a direct-fired, parallel flow drum mixer, until expiration of those patents, and from service or repair of those infringing drum mixers or recycle kits until the judgment is satisfied. 35 U.S.C. § 283.

7. That plaintiffs shall recover their costs from defendant. The time for filing a bill of costs shall run from the date of entry of this Final Order And Judgment.

8. That defendant will have a stay of execution without posting security on the judgment through and

including November 27, 1990, and will have through and including November 27, 1990 to file its notice of appeal.

ENTER:

/s/ Hubert L. Will
Hubert L. Will
United States District Judge

DATED: Oct. 24, 1990

Approved as to Form:

/s/ Gary Peterson
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Attorneys for Defendant

28 U.S.C. § 1292. Interlocutory decisions

(a) Except as provided in subsections (c) and (d) of this section, the courts of appeals shall have jurisdiction of appeals from:

> (1) Interlocutory orders of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, or of the judges thereof, granting, continuing, modifying, refusing or dissolving injunctions, or refusing to dissolve or modify injunctions, except where a direct review may be had in the Supreme Court;
>
> (2) Interlocutory orders appointing receivers, or refusing orders to wind up receiverships or to take steps to accomplish the purposes thereof, such as directing sales or other disposals of property;
>
> (3) Interlocutory decrees of such district courts or the judges thereof determining the rights and liabilities of the parties to admiralty cases in which appeals from final decrees are allowed.

(b) When a district judge, in making in a civil action an order not otherwise appealable under this section, shall be of the opinion that such order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation, he shall so state in writing in such order. The Court of Appeals which would have jurisdiction of an appeal of such action may thereupon, in its discretion, permit an appeal to be taken from

such order, if application is made to it within ten days after the entry of the order: *Provided, however,* That application for an appeal hereunder shall not stay proceedings in the district court unless the district judge or the Court of Appeals or a judge thereof shall so order.

(c) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction –

> (1) of an appeal from an interlocutory order or decree described in subsection (a) or (b) of this section in any case over which the court would have jurisdiction of an appeal under section 1295 of this title; and
>
> (2) of an appeal from a judgment in a civil action for patent infringement which would otherwise be appealable to the United States Court of Appeals for the Federal Circuit and is final except for an accounting.

(d)(1) When the chief judge of the Court of International Trade issues an order under the provisions of section 256(b) of this title, or when any judge of the Court of International Trade, in issuing any other interlocutory order, includes in the order a statement that a controlling question of law is involved with respect to which there is a substantial ground for difference of opinion and that an immediate appeal from that order may materially advance the ultimate termination of the litigation, the United States Court of Appeals for the Federal Circuit may, in its discretion, permit an appeal to be taken from such order, if application is made to that Court within ten days after the entry of such order.

(2) When the chief judge of the United States Court of Federal Claims issues an order under section 798(b) of

this title, or when any judge of the United States Court of Federal Claims, in issuing an interlocutory order, includes in the order a statement that a controlling question of law is involved with respect to which there is a substantial ground for difference of opinion and that an immediate appeal from that order may materially advance the ultimate termination of the litigation, the United States Court of Appeals for the Federal Circuit may, in its discretion, permit an appeal to be taken from such order, if application is made to that Court within ten days after the entry of such order.

(3) Neither the application for nor the granting of an appeal under this subsection shall stay proceedings in the Court of International Trade or in the Court of Federal Claims, as the case may be, unless a stay is ordered by a judge of the Court of International Trade or of the Court of Federal Claims or by the United States Court of Appeals for the Federal Circuit or a judge of that court.

(4)(A) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction of an appeal from an interlocutory order of a district court of the United States, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, granting or denying, in whole or in part, a motion to transfer an action to the United States Court of Federal Claims under section 1631 of this title.

(B) When a motion to transfer an action to the Court of Federal Claims is filed in a district court, no further proceedings shall be taken in the district court until 60 days after the court has ruled upon the motion. If an

appeal is taken from the district court's grant or denial of the motion, proceedings shall be further stayed until the appeal has been decided by the Court of Appeals for the Federal Circuit. The stay of proceedings in the district court shall not bar the granting of preliminary or injunctive relief, where appropriate and where expedition is reasonably necessary. However, during the period in which proceedings are stayed as provided in this subparagraph, no transfer to the Court of Federal Claims pursuant to the motion shall be carried out.

(e) The Supreme Court may prescribe rules, in accordance with section 2072 of this title, to provide for an appeal of an interlocutory decision to the courts of appeals that is not otherwise provided for under subsection (a), (b), (c), or (d).

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35 U.S.C. § 282 Presumption of validity; defenses

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement or unenforceability, .

(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,

(4) Any other fact or act made a defense by this title.

In actions involving the validity or infringement of a patent the party asserting invalidity or noninfringement shall give notice in the pleadings or otherwise in writing to the adverse party at least thirty days before the trial, of the country, number, date, and name of the patentee of any patent, the title, date, and page numbers of any publication to be relied upon as anticipation of the patent in suit or, except in actions in the United States Claims Court, as showing the state of the art, and the name and address of any person who may be relied upon as the prior inventor or as having prior knowledge of or as having previously used or offered for sale the invention of the patent in suit. In the absence of such notice proof of the said matters may not be made at the trial except on such terms as the court requires.

Invalidity of the extension of a patent term or any portion thereof under section 156 of this title because of the material failure –

(1) by the applicant for the extension, or

(2) by the Commissioner,

to comply with the requirements of such section shall be a defense in any action involving the infringement of a patent during the period of the extension of its term and shall be pleaded. A due diligence determination under section 156(d)(2) is not subject to review in such an action.

Supreme Court, U.S.
FILED
NOV 3 1994
OFFICE OF THE CLERK

No. 94-668

In The
Supreme Court of the United States
October Term, 1994

ROBERT L. MENDENHALL AND
CMI CORPORATION,

Petitioners.

v.

ASTEC INDUSTRIES, INC. AND
BARBER-GREENE COMPANY,

Respondents.

Petition For A Writ Of Certiorari To The United States Court of Appeals For The Federal Circuit

RESPONDENTS' BRIEF IN OPPOSITION

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BEST AVAILABLE COPY

QUESTION PRESENTED FOR REVIEW

Pursuant to Rule 15.1 of the Supreme Court Rules, Respondents inform the Court that they disagree that the question presented for review in the Petition accurately describes the real legal issue on which the Petition is based, for the following reasons:

1. The Petitioners have consciously mischaracterized the subject infringement judgments against Respondents as "final judgments" when, in vacating the judgments, the Federal Circuit specifically found them to be "non-final" decisions in cases which were still pending at the time the subject patents were held invalid in another case.

2. Whether there was a "final judgment" on the issue of liability in the cases against Respondents has no bearing on the application of defensive collateral estoppel.

3. Nothing in this Court's decision in *Blonder-Tongue* indicates that the *timing* of the decision giving rise to estoppel is critical or that the plea of that defense cannot thereafter be timely made *at any stage* of the affected proceedings.

For these reasons, Respondents suggest that the real question presented for review in this case is as follows:

Whether the Federal Circuit properly applied *Blonder-Tongue* collateral estoppel to vacate judgments awarded to Petitioners against Respondents on patents that were adjudicated to be invalid in a final judgment entered in other litigation prior to the conclusion of proceedings in this case?

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STATEMENT OF THE CASE

Respondents Astec Industries, Inc. ("Astec") and Barber-Greene Company ("Barber-Greene") are dissatisfied with the statement of the case presented by Petitioners Robert L. Mendenhall and CMI Corporation (collectively referred to as "CMI"), and therefore submit the following statement in accordance with Rule 24.2, to correct inaccuracies and omissions in CMI's statement.

The two patents in issue no longer exist because they were held invalid by the trial court in other litigation; that decision was affirmed by the Federal Circuit, and this Court declined to review it.[1] All of this occurred before the Federal Circuit completed its review of the damages judgment against Astec and the liability and damages judgments against Barber-Greene.

The question of whether Mr. Mendenhall in fact "invented" a new asphalt plant and a method of using RAP to make asphalt paving was vigorously contested by the Respondents at trial, but the courts have now conclusively established that his "invention" failed to meet the congressionally imposed criteria for patentability and that the two patents should never have been issued to him.

---

[1] This Court in *Mendenhall v. Cedarapids, Inc.*, ___ U.S. ___, 114 S. Ct. 1540 (April 18, 1994), recently denied CMI's petition to issue a writ of certiorari to the United States Court of Appeals for the Federal Circuit, which entered judgment that all of the claims of both patents are invalid.

In a desperate last ditch effort to create the appearance of an issue worthy of review under Supreme Court Rule 10, CMI has again chosen to misrepresent the facts giving rise to Astec's Federal Circuit appeal of the adverse liability judgment rendered by the Tennessee district court. Astec's appeal on *December 16, 1988* was expressly taken from the Tennessee district court's *October 31, 1988* judgment as modified by its December 13, 1988 Orders, and not, as represented by CMI, from the district court's purported Rule 54(b) certification entered over one month later on January 26, 1989. In its Order On Petition For Rehearing, the Federal Circuit decisively rejected CMI's flatly erroneous version of the facts by amending footnote 11 of its original decision, stating:

> Contrary to Mendenhall's arguments, the Astec appeal on December 16, 1988, was taken as of right under the above statute [28 U.S.C. 1292(c)(2)]. The subsequent order of the district court entered January 26, 1989, purportedly certifying the case for appeal under FRCP 54(b) was superfluous, if not void. See *Sears Roebuck & Co. v. Mackey*, 351 U.S. 427, 435 (1936). That order did not provide the basis for this court's jurisdiction over an appeal already properly before us.

(Pet. App. at A.33–34) The mere fact that CMI felt compelled to reassert its fictional version of the facts that Astec appealed from the purported Rule 54(b) certification of January 26, 1989 — a version explicitly rejected by the Federal Circuit — is itself sufficient proof of the weakness of CMI's arguments, and casts serious doubt on CMI's credibility.

SUMMARY OF THE ARGUMENT

CMI's Petition fails to meet any of the requirements of Supreme Court Rule 10 for granting certiorari. There are no considerations involving state court decisions because this is an action arising under Title 35 of the United States Code, jurisdiction over which resides exclusively in the federal courts. There is no conflict between the decision of the Court of Appeals for the Federal Circuit and that of any other court of appeals. There is no departure by the Federal Circuit from any accepted or usual course of judicial proceeding, nor did the court sanction any such departure by a lower court, so as to call for an exercise of this Court's power of supervision. Nor does Petitioner contend that the Federal Circuit has decided an important question of federal law which has not been, but should be, settled by this court. Instead, Petitioners' sole contention is that the Federal Circuit has decided a federal question in a way that conflicts with applicable decisions of this Court. In making even that limited argument, Petitioners unbelievably mischaracterize this Court's highlighted past decision in order to give the appearance of a conflict. It should therefore come as no surprise that each of CMI's arguments have twice been considered and rejected by the Federal Circuit.

A. CMI's lead argument that the Federal Circuit's decision will stifle the enforcement of valid patents rings hollow. Application of defensive collateral estoppel will not in any way take away *legitimate* enforcement rights; a patentee will be precluded from recovery *only if its patent is invalid*. The overriding public policy of ensuring that ideas

not protected by valid patents be dedicated to the common good disfavors CMI as it did the owners of invalid patents in *Lear, Inc. v. Adkins*, 395 U.S. 653, 162 USPQ 1 (1969), and *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971). If a patent is in fact found invalid after full and fair litigation, justice is best served by bringing that invalidity decision to bear in all other pending cases not finally concluded.

B. Whether or not Astec and Barber-Greene had a full and fair opportunity to litigate the issue of validity and lost is immaterial to invoking *Blonder-Tongue* estoppel on appeal. What is *dispositive* is that *CMI* had a full and fair opportunity to litigate the issue of validity and infringement of its two patents in the *Cedarapids* case which resulted in invalidity judgments of both patents. The Federal Circuit affirmed those judgments, and this Court denied review. As eloquently stated by the panel majority in the Federal Circuit's thorough and well reasoned decision:

> For this court to affirm the findings of infringement and the willfulness of conduct against one appellant, increased damages against the other, and uphold injunctions against both, appears *anomalous in the extreme in connection with patents this court has just held invalid*.

(Pet. App. at A.9) (emphasis added). The Federal Circuit's decision is in perfect harmony with the principles set forth over two decades ago in this Court's opinion in *Blonder-Tongue*.

C. The defense of collateral estoppel clearly would have been available to Astec and Barber-Greene had their cases been stayed until the *Cedarapids* case proceeded to its ultimate judgment holding the patents wholly invalid. Instead, the *Cedarapids* case was stayed (as were CMI's cases against Bituma and Standard Havens) while the cases against Astec and Barber-Greene proceeded. The stay in *Cedarapids* assured that the Astec liability judgment would be reviewed by the Federal Circuit, and the damages issues tried, before the *Cedarapids* case reached judgment. Consequently, the invalidity judgment in *Cedarapids* was entered just prior to entry of the trial court's damages judgment in the *Astec* suit and only after appeal to this Court in *Barber-Greene*. (Pet. App. at A.9) The Federal Circuit recognized that it would be unjust to prevent Astec and Barber-Greene from employing collateral estoppel here, while making collateral estoppel available to its competitors in the industry, when the only distinction between Astec and Barber-Greene and those competitors is that the competitors had the good fortune to have their cases stayed.

D. The liability judgment that Astec appealed from was not a "final judgment." Astec appealed from the district court's *October 31, 1988 judgment*, *not* the January 26, 1989 purported Rule 54(b) certification. Consequently, Astec's appeal fell squarely within and was taken as of right under 28 U.S.C. §1292(c)(2) which governs appeals from "Interlocutory Decisions." A judgment that leaves more to do in the case than simply execute the judgment is not "final" and, therefore, there is no "final judgment" in this case, and thus collateral estoppel was correctly applied.

ARGUMENT

A. The Federal Circuit's Reasoned Decision Promotes the Overriding Public Policy of Ensuring That Ideas Not Protected by Valid Patents Are Dedicated to the Common Good and Free for All to Use

CMI's policy argument that the Federal Circuit's decision will stifle the enforcement of valid patents rings hollow. The Federal Circuit's application of defensive collateral estoppel will not in any way take away the opportunity to enforce *legitimate* rights — *a patentee will be precluded from recovery only if its patent is invalid!* Furthermore, no "stifling" has manifested itself in the five years since *Dana Corp. v. NOK, Inc.*, 882 F.2d 505, 11 USPQ2d 1883 (Fed. Cir. 1989) was decided, or in the ten years since *Thompson-Hayward Chemical Co. v. Rohm & Haas Co.*, 745 F.2d 27, 223 USPQ 690 (Fed. Cir. 1984) was decided, even though in both cases collateral estoppel based on a patent invalidity/unenforceability judgment in another case was raised for the *first time* on appeal.

CMI's claim that "under the Federal Circuit's ruling, each succeeding infringement suit would become an all-or-nothing gamble for the patent owner, with the liability rulings in all prior suits at stake" shows a fundamental misunderstanding of the scope of the Federal Circuit's decision. In reality, only rulings in cases *not yet concluded* are at risk; once the patentee obtains a final judgment (ending the litigation), it is secure. The Federal Circuit's ruling is entirely consistent with the well-established

Thompson-Hayward and *Dana* precedents, the latter specifically holding that "the defense of collateral estoppel based on a final judgment of patent invalidity in another suit can 'be timely made at any stage of the affected proceedings.'" 882 F.2d at 507, 11 USPQ2d at 1884; *see also* (Pet. App. at A.14 and n.8). Accordingly, the Federal Circuit here "conclude[d] that appellants' defense of collateral estoppel is not untimely. Each appellant raised the issue during pending litigation at virtually the earliest possible date." (Pet. App. at A.15)

CMI's argument is simply a desperate ostensible patentee's attempt to see how much it can get away with when suing everyone in an industry on an invalid patent. In effect, CMI wishes the law allowed it to stay one step ahead of its invalid patents, rushing to sue everyone to get injunctions before the invalidity of its patents is discovered, and then proceeding to litigate and collect damages *after* its patents have been adjudicated invalid! Unfortunately for CMI, the law and equities are solidly against it. The *overriding* public policy of ensuring that ideas not protected by valid patents be dedicated to the common good disfavors CMI as it did the patent owners in *Lear, Inc. v. Adkins*, 395 U.S. 653, 162 USPQ 1 (1969), and *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971). If a patent is in fact found invalid after full and fair litigation, justice is best served by bringing that invalidity decision to bear in all other pending cases not finally concluded (i.e., in cases in which there is more to do than "execute the judgment." *Catlin v. United States*, 324 U.S. 229, 233 (1945)).

As noted in *Blonder-Tongue*, a "patentee, having been afforded the opportunity to exhaust his remedy of appeal from a holding of invalidity, has had his 'day in court' and should not be allowed to harass others on the basis of an invalid claim." *Blonder-Tongue*, 402 U.S. at 340. Similarly, the Federal Circuit aptly recognized that it would be unjust to continue to enjoin Astec and Barber-Greene from using ***un***patented technology and to extract millions of dollars in tribute from them for the use of ***un***patented technology, particularly where, as here, the jury's holdings of patent invalidity were affirmed by the Federal Circuit and this Court denied review.

B. The Federal Circuit's Decision Is in Perfect Harmony with this Court's Decision in *Blonder-Tongue*

In a desperate attempt to satisfy Rule 10 by creating the appearance of a conflict between the Federal Circuit's ruling and this Court's decision in *Blonder-Tongue*, CMI misrepresents the holding and procedural posture of the precedent. The cases are in perfect harmony, not in conflict.

The issue in *Blonder-Tongue* was whether a *patent owner* should be able to *relitigate* the validity of its patent against subsequent infringers once it has lost on the issue of invalidity. As stated in the *Blonder-Tongue* opinion, "the court reexamined 'whether mutuality of estoppel is a viable rule where a *patentee* seeks to relitigate the validity of a patent once a federal court has declared it to be invalid'" *Blonder-Tongue*, 402 U.S. at 327 (emphasis added). It "depends on the considerations weighing for and against permitting a *patent holder to sue on his patent* after it has

once been held invalid following opportunity for full and fair trial." 402 U.S. at 330 (emphasis added).

CMI's claim that "the Federal Circuit's decision runs counter to *Blonder-Tongue* because it allows defendants like Astec to escape the results of judgments entered against them after full and fair litigation" is way off the mark. Obviously, Astec is an *alleged infringer, not a patent owner,* and is not seeking to escape a judgment of invalidity or to relitigate the validity of a patent previously held invalid. The right to "full and fair litigation" identified in *Blonder-Tongue*, was the right of the *patent owner* to fully and fairly defend validity in the proceedings in which its patent was invalidated, and to exercise this right, before collateral estoppel may be applied against him.

As stated by the panel majority of the Federal Circuit,

> that Astec had a full and fair opportunity to litigate the issue of validity and lost is immaterial to its invoking estoppel on appeal. That was also true in *Dana v. NOK, supra*, where after losing at trial, NOK was given the benefit of collateral estoppel which arose from a decision of this court during its appeal.

(Pet. App. A.23)

> The issue in Astec's appeal (which also controls in *Barber-Greene*) is the viability of a collateral estoppel defense which arose subsequently. As *Thompson Hayward* and *NOK* hold, *collateral estoppel, based on the success of a third party, may*

> *preclude liability despite the failure of an accused infringer to prove invalidity in its own trial.*

(Pet. App. at A.15–16) (footnote omitted) (emphasis added).

What is *dispositive* here is that *CMI* had a full and fair opportunity to litigate in the *Cedarapids* proceedings, in which its patents were found not to meet the congressionally imposed requirements of patentability. There can be no legitimate doubt that CMI's rights were fully exercised despite its defeat. That judgment was affirmed on appeal and review by this Court was denied. (Pet. App. at A.9 n.5) Consistent with the legal principles in *Blonder-Tongue*, CMI has had its day in court, and should not be allowed to collect millions of dollars in damages from Astec and Barber-Greene on patents which should not have issued.

C. Arguments About Timeliness Actually Disfavor CMI

The Federal Circuit fully recognized that CMI's argument boils down to the relative timing of the judgments in the *Astec*, *Barber-Greene* and *Cedarapids* cases. (Pet. App. at A.9) CMI cannot dispute that the other industry defendants whose cases were stayed clearly have available to them the defense of collateral estoppel based on the invalidity judgments in *Cedarapids*. CMI argues, however, that a different result in the *Astec* and *Barber-Greene* cases should obtain because these cases are too far along to apply collateral estoppel and "there will be absolutely no savings in judicial time by the application of collateral estoppel . . . and the one and only result of the application of collateral estoppel is a windfall to Astec and Barber-Greene." (Pet.

Brief at 12) This argument is demonstrably wrong for multiple reasons.

There is no rule of law anywhere which makes the application of collateral estoppel in these cases too late as a matter of law. (Pet. App. at A.14) Moreover, the equities compel that Astec and Barber-Greene not be denied collateral estoppel solely because they did not have the good fortune of their competitors to have their cases stayed. The Federal Circuit realized that it was obligated to prevent injustice while this was still possible and rightly exercised that obligation during pendency of these cases.

The only reason that CMI can raise this issue at all is because CMI's cases against the other industry defendants, including Cedarapids, were *stayed* pending resolution of the *Astec* case. The *Astec* trial resulted in a judgment in favor of CMI on validity, which judgment was affirmed by the Federal Circuit in an interlocutory appeal. The case was remanded for a determination of damages and other issues. *Mendenhall v. Astec Industries, Inc.*, 887 F.2d 1094, 13 USPQ2d 1956 (Fed. Cir. 1989). It was only *after* that liability judgment was entered that the stay of the *Cedarapids* proceedings was *lifted* and that case tried to a jury, resulting in judgments of invalidity. When the *Cedarapids* court entered judgments of invalidity, the *Astec* case was still pending in Tennessee for a determination of damages and other issues. Astec moved at the *earliest possible date* to vacate the previously entered unfavorable liability judgment on the ground that Mendenhall was collaterally estopped from continuing to assert the patents, citing *Blonder-Tongue* and decisions of the Federal Circuit, particularly *Dana* and *Thompson-Hayward*. (Pet. App. at A.15) Simply put, the

defense of collateral estoppel clearly would have been available to *Astec* and *Barber-Greene* had the tables been turned and *their* cases stayed while the *Cedarapids* case proceeded to its ultimately judgment holding the '904 and '905 patents wholly invalid.

As to CMI's argument that collateral estoppel is not applicable because only minimal judicial savings will result, the panel majority succinctly rejected that claim, stating that:

> Further, when the rest of the industry is not impeded by the patents, it seems manifestly *unjust* to rely merely on "judicial economy" as *justification* for holding appellants liable and impairing their ability to compete. Just as in *Lear v. Adkins*, the public policy of full and free competition was deemed paramount over contract principles, 395 U.S. 670, and in *Blonder-Tongue* outweighed the mutuality principles of estoppel, 169 USPQ at 526, that same public policy clearly in our view takes precedence over adherence to law of the case, a matter which rests on discretion.

(Pet. App. at A.22)

Finally, there is no "windfall" to Astec and Barber-Greene. Barber-Greene has persisted, investing the last fourteen years — and Astec the last eight years — to defending against these now invalid patents, and each has spent huge sums in doing so. The only windfall would have been to CMI, had the Federal Circuit not put a stop to CMI's attempt to extract millions from Astec and Barber-Greene on patents that no longer exist.

CMI's citation of *Federated Department Stores, Inc. v. Moitie*, 452 U.S. 394 (1981) is inapposite for three reasons. First, the two defendants there made a "deliberate tactical decision" *not* to appeal their cases, which thereby *ended*; in this case, by contrast, Astec *never* gave up, and *immediately* moved for relief on the grounds of collateral estoppel when *Cedarapids* was decided and while damages were under review in the district court. Second, the two plaintiffs in *Moitie* sought to *relitigate* their rights, i.e., they brought *new* suits after they had lost and chosen not to appeal. Astec and Barber-Greene appealed and brought their motion as part of the original case; they seek to relitigate nothing here. Third, *Moitie* did not involve plaintiffs trying to recover damages on invalid patents.

CMI's citations of *Zdanok v. Glidden Co.*, 327 F.2d 944, 955 (2d Cir.), *cert. denied*, 377 U.S. 934, 84 S. Ct. 1338 (1964), and cases cited in 18 Wright, Miller & Cooper, *Federal Practice and Procedure*, §4434, p. 324 (1981), are equally inapposite because those cases involved the question whether one of the parties was entitled to *relitigate* claims or issues in a completely different factual context.

D. Despite CMI's Mischaracterization, the Judgment Appealed From Was Not a "Final Judgment"

CMI engages in a misleading word game throughout its Petition by referring to the district court's and the Federal Circuit's prior judgments on liability as "final judgments." At pages 4–5 of the Petition, CMI incorrectly recites the "facts" giving rise to Astec's 1988 appeal of the district court's liability judgment: "CMI moved for a Rule 54(b) final judgment in *Astec*. Final judgment was granted . . . and

Astec appealed to the Federal Circuit under 28 U.S.C. §1295(a)." (Pet. Brief at 4–5) As discussed above in our statement of the case, the Federal Circuit specifically considered and decisively rejected CMI's version of the facts, noting that Astec's appeal was perfected from the district court's *October 31, 1988 judgment* as modified by the court's December 13, 1988 orders, *not*, as misrepresented by CMI, from the purported Rule 54(b) certification on January 26, 1989, and therefore the district court's belated Rule 54(b) certification of January 26, 1989 "was superfluous, if not void. *See Sears Roebuck & Co. v. Mackey*, 351 U.S. 427, 435 (1936)." (Pet. App. at A.34) As thoroughly weighed and determined by the panel majority, Astec's appeal was interlocutory and was taken as of right under §1292(c)(2) because an accounting had not yet been concluded. (Pet. App. at A.16–18)

CMI again flatly misrepresents facts in the record when it states that Astec "insisted that the judgment be a final judgment . . .." (Pet. Brief at 11) In reality, Astec *vehemently objected* to entry of a Rule 54(b) certification in *Astec*. CMI first made this erroneous factual claim in its petition for rehearing. Astec corrected the record by supplying the Federal Circuit with Astec's briefing in the Tennessee district court in which it correctly and strenuously argued that the judgment could *not* be made final under Rule 54(b) because a district court "cannot, in the exercise of its discretion, treat as 'final' that which is not 'final' within the meaning of §1291. *Sears, Roebuck & Co. v. Mackey*, 351 U.S. at 437 (1956)." This is the same conclusion reached by the panel majority; the Tennessee district court's judgment on liability was clearly interlocutory because there was no

"final decision" ending the litigation, and the Federal Circuit's affirming decree was no more final than the one reviewed. *See Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82, 89 (1922). (Pet. App. at A.18)

CMI completely ignores a long line of precedents of this Court to the effect that a final judgment is one that "ends the litigation on the merits and leaves nothing for the court to do but execute the judgment." *Catlin v. United States*, 324 U.S. 229, 233 (1945). Consequently, the Tennessee district court's judgment on liability (regardless of whether it was pursuant to Rule 54(b) *vel non*), and the Federal Circuit's affirmance of that liability judgment which resulted in a remand for further proceedings was "not the final judgment in the case." (Pet. App. at A.16) The Supreme Court has made clear time and again that a decision is "not final until the conclusion of the accounting." *Marconi Wireless Co. v. United States*, 320 U.S. 1, 47 (1943). (Pet. App. at A.17)

CMI's reliance at page 12 of its Petition on the language of the "Interlocutory Decisions" statute, 28 U.S.C. §1292, no more supports overturning the Federal Circuit's decision than CMI's other feeble arguments. In fact, it does the opposite. Section 1292(c)(2) exactly describes the state of the *Astec* case when the Tennessee district court's judgment on liability was appealed to the Federal Circuit before damages had been considered. That statute was thoroughly discussed by the panel majority:

> The purpose of §1292(c)(2) is to permit district courts to stay and possibly avoid a burdensome determination of damages. [citation omitted] This provision for interlocutory appeal does not render a

> district court decision on fewer than all issues in the case a "final" decision. As the Supreme Court has noted regarding this statute's predecessor: . . . "the decision was not final until the conclusion of the accounting. *Barnard v. Gibson*, 7 How. 649; *Humiston v. Stainthorp*, 2 Wall. 106; *Simmons Co. v. Grier Bros. Co.*, *supra*, 89. Hence the court did not lack power at any time prior to entry of its final judgment at the close of the accounting to reconsider any portion of its decision and reopen any part of the case." *Marconi Wireless Co. v. United States*, 320 U.S. 1, 47 (1943).

(Pet. App. at A.17) CMI's wordgames to the contrary, the "final judgment" in this case will be entered only upon denial of CMI's Petition. Until then, these proceedings remain interlocutory and the Federal Circuit's reasoned conclusion that justice requires that collateral estoppel be available to Astec and Barber-Greene must stand.

CONCLUSION

For the reasons set forth above, Respondents respectfully request that the Petition be denied forthwith.

Respectfully submitted,

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